

Part III - Administrative, Procedural, and Miscellaneous

26 CFR 601.105: Examination of returns and claims for refund, credit, or abatement; determination of correct tax liability.
(Also: Part I, §§ 280F; 1.280F-7.)

Rev. Proc. 2013-21

SECTION 1. PURPOSE

This revenue procedure provides: (1) limitations on depreciation deductions for owners of passenger automobiles first placed in service by the taxpayer during calendar year 2013, including separate tables of limitations on depreciation deductions for trucks and vans; and (2) the amounts that must be included in income by lessees of passenger automobiles first leased by the taxpayer during calendar year 2013, including a separate table of inclusion amounts for lessees of trucks and vans. The tables detailing these depreciation limitations and lessee inclusion amounts reflect the automobile price inflation adjustments required by § 280F(d)(7) of the Internal Revenue Code.

SECTION 2. BACKGROUND

.01 For owners of passenger automobiles, § 280F(a) imposes dollar limitations on the depreciation deduction for the year the taxpayer places the passenger automobile in service and for each succeeding year. For passenger automobiles placed in service after 1988, § 280F(d)(7) requires the Internal Revenue Service to increase the amounts allowable as depreciation deductions by a price inflation adjustment amount. The method of calculating this price inflation amount for trucks and vans placed in service in or after calendar year 2003 uses a different CPI “automobile component” (the “new

trucks” component) than that used in the price inflation amount calculation for other passenger automobiles (the “new cars” component), resulting in somewhat higher depreciation deductions for trucks and vans. This change reflects the higher rate of price inflation for trucks and vans since 1988.

.02 Section 331(a) of the American Taxpayer Relief Act of 2012, Pub. L. No. 112-240, 126 Stat. 2313 (Jan. 2, 2013) (the “Act”) extended the 50 percent additional first year depreciation deduction under § 168(k) to qualified property acquired by the taxpayer after December 31, 2007, and before January 1, 2014, if no written binding contract for the acquisition of the property existed before January 1, 2008, and if the taxpayer places the property in service generally before January 1, 2014.

Section 168(k)(2)(F)(i) increases the first year depreciation allowed under § 280F(a)(1)(A)(i) by \$8,000 for passenger automobiles to which the additional first year depreciation deduction under § 168(k) (hereinafter, referred to as “§ 168(k) additional first year depreciation deduction”) applies.

.03 Section 168(k)(2)(D)(i) provides that the § 168(k) additional first year depreciation deduction does not apply to any property required to be depreciated under the alternative depreciation system of § 168(g), including property described in § 280F(b)(1). Section 168(k)(2)(D)(iii) permits a taxpayer to elect out of the § 168(k) additional first year depreciation deduction for any class of property. Section 168(k)(4), as amended by the Act, permits a corporation to elect to increase the alternative minimum tax (“AMT”) credit limitation under § 53(c), instead of claiming the § 168(k) additional first year depreciation deduction for all eligible qualified property placed in service after December 31, 2012, that is round 3 extension property (as defined in §

168(k)(4)(J)(iv)).

Accordingly, this revenue procedure provides tables for passenger automobiles for which the § 168(k) additional first year depreciation deduction applies. This revenue procedure also provides tables for passenger automobiles for which the § 168(k) additional first year depreciation deduction does not apply, either because taxpayer: (1) purchased the passenger automobile used; (2) did not use the passenger automobile during 2013 more than 50 percent for business purposes; (3) elected out of the § 168(k) additional first year depreciation deduction pursuant to § 168(k)(2)(D)(iii); or (4) elected to increase the § 53 AMT credit limitation in lieu of claiming § 168(k) additional first year depreciation.

.04 Section 280F(c) requires a reduction in the deduction allowed to the lessee of a leased passenger automobile. The reduction must be substantially equivalent to the limitations on the depreciation deductions imposed on owners of passenger automobiles. Under § 1.280F-7(a) of the Income Tax Regulations, this reduction requires a lessee to include in gross income an amount determined by applying a formula to the amount obtained from a table. One table applies to lessees of trucks and vans and another table applies to all other passenger automobiles. Each table shows inclusion amounts for a range of fair market values for each taxable year after the passenger automobile is first leased.

SECTION 3. SCOPE

.01 The limitations on depreciation deductions in section 4.01(2) of this revenue procedure apply to passenger automobiles (other than leased passenger automobiles) that are placed in service by the taxpayer in calendar year 2013, and continue to apply

for each taxable year that the passenger automobile remains in service.

.02 The tables in section 4.02 of this revenue procedure apply to leased passenger automobiles for which the lease term begins during calendar year 2013. Lessees of these passenger automobiles must use these tables to determine the inclusion amount for each taxable year during which the passenger automobile is leased. See Rev. Proc. 2008-22, 2008-1 C.B. 658, for passenger automobiles first leased during calendar year 2008; Rev. Proc. 2009-24, 2009-17 I.R.B. 885, for passenger automobiles first leased during calendar year 2009; Rev. Proc. 2010-18, 2010-09 I.R.B. 427, as amplified and modified by section 4.03 of Rev. Proc. 2011-21, 2011-12 I.R.B. 560, for passenger automobiles first leased during calendar year 2010; Rev. Proc. 2011-21, for passenger automobiles first leased during calendar year 2011; and Rev. Proc. 2012-23, 2012-14 I.R.B. 712, for passenger automobiles first leased during calendar year 2012.

SECTION 4. APPLICATION

.01 Limitations on Depreciation Deductions for Certain Automobiles.

(1) Amount of the inflation adjustment.

(a) Passenger automobiles (other than trucks or vans). Under § 280F(d)(7)(B)(i), the automobile price inflation adjustment for any calendar year is the percentage (if any) by which the CPI automobile component for October of the preceding calendar year exceeds the CPI automobile component for October 1987. Section 280F(d)(7)(B)(ii) defines the term "CPI automobile component" as the automobile component of the Consumer Price Index for all Urban Consumers published by the Department of Labor. The new car component of the CPI was 115.2 for October 1987 and 143.787 for October 2012. The October 2012 index exceeded the October

1987 index by 28.587. Therefore, the automobile price inflation adjustment for 2013 for passenger automobiles (other than trucks and vans) is 24.8 percent ($28.587/115.2 \times 100\%$). The dollar limitations in § 280F(a) are multiplied by a factor of 0.248, and the resulting increases, after rounding to the nearest \$100, are added to the 1988 limitations to give the depreciation limitations applicable to passenger automobiles (other than trucks and vans) for calendar year 2013. This adjustment applies to all passenger automobiles (other than trucks and vans) that are first placed in service in calendar year 2013.

(b) Trucks and vans. To determine the dollar limitations for trucks and vans first placed in service during calendar year 2013, the Service uses the new truck component of the CPI instead of the new car component. The new truck component of the CPI was 112.4 for October 1987 and 149.386 for October 2012. The October 2012 index exceeded the October 1987 index by 36.986. Therefore, the automobile price inflation adjustment for 2013 for trucks and vans is 32.9 percent ($36.986/112.4 \times 100\%$). The dollar limitations in § 280F(a) are multiplied by a factor of 0.329, and the resulting increases, after rounding to the nearest \$100, are added to the 1988 limitations to give the depreciation limitations for trucks and vans. This adjustment applies to all trucks and vans that are first placed in service in calendar year 2013.

(2) Amount of the limitation. Tables 1 through 4 contain the dollar amount of the depreciation limitation for each taxable year for passenger automobiles a taxpayer places in service in calendar year 2013. Use Table 1 for a passenger automobile (other than a truck or van), and Table 2 for a truck or van, placed in service in calendar year 2013 for which the § 168(k) additional first year depreciation deduction applies. Use

Table 3 for a passenger automobile (other than a truck or van), and Table 4 for a truck or van, placed in service in calendar year 2013 for which the § 168(k) additional first year depreciation deduction does not apply.

REV. PROC. 2013-21 TABLE 1	
DEPRECIATION LIMITATIONS FOR PASSENGER AUTOMOBILES (THAT ARE NOT TRUCKS OR VANS) PLACED IN SERVICE IN CALENDAR YEAR 2013 FOR WHICH THE § 168(k) ADDITIONAL FIRST YEAR DEPRECIATION DEDUCTION APPLIES	
<u>Tax Year</u>	<u>Amount</u>
1st Tax Year	\$11,160
2nd Tax Year	\$ 5,100
3rd Tax Year	\$ 3,050
Each Succeeding Year	\$ 1,875

REV. PROC. 2013-21 TABLE 2	
DEPRECIATION LIMITATIONS FOR TRUCKS AND VANS PLACED IN SERVICE IN CALENDAR YEAR 2013 FOR WHICH THE § 168(k) ADDITIONAL FIRST YEAR DEPRECIATION DEDUCTION APPLIES	
<u>Tax Year</u>	<u>Amount</u>
1st Tax Year	\$11,360
2nd Tax Year	\$ 5,400
3rd Tax Year	\$ 3,250
Each Succeeding Year	\$ 1,975

REV. PROC. 2013-21 TABLE 3	
DEPRECIATION LIMITATIONS FOR PASSENGER AUTOMOBILES (THAT ARE NOT TRUCKS OR VANS) PLACED IN SERVICE IN CALENDAR YEAR 2013 FOR WHICH THE § 168(k) ADDITIONAL FIRST YEAR DEPRECIATION DEDUCTION DOES NOT APPLY	
<u>Tax Year</u>	<u>Amount</u>
1st Tax Year	\$ 3,160
2nd Tax Year	\$ 5,100
3rd Tax Year	\$ 3,050
Each Succeeding Year	\$ 1,875

REV. PROC. 2013-21 TABLE 4	
DEPRECIATION LIMITATIONS FOR TRUCKS AND VANS PLACED IN SERVICE IN CALENDAR YEAR 2013 FOR WHICH THE § 168(k) ADDITIONAL FIRST YEAR DEPRECIATION DEDUCTION DOES NOT APPLY	
<u>Tax Year</u>	<u>Amount</u>
1st Tax Year	\$ 3,360
2nd Tax Year	\$ 5,400
3rd Tax Year	\$ 3,250
Each Succeeding Year	\$ 1,975

.02 Inclusions in Income of Lessees of Passenger Automobiles.

A taxpayer must follow the procedures in § 1.280F-7(a) for determining the inclusion amounts for passenger automobiles first leased in calendar year 2013. In applying these procedures, lessees of passenger automobiles other than trucks and vans should use Table 5 of this revenue procedure, while lessees of trucks and vans should use Table 6 of this revenue procedure.

REV. PROC. 2013-21 TABLE 5						
DOLLAR AMOUNTS FOR PASSENGER AUTOMOBILES (THAT ARE NOT TRUCKS OR VANS) WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 2013						
Fair Market Value of Passenger Automobile		Tax Year During Lease				
Over	Not Over	1 st	2 nd	3 rd	4 th	5 th & later
\$19,000	\$19,500	2	4	6	7	8
19,500	20,000	2	5	6	9	9
20,000	20,500	2	5	8	9	11
20,500	21,000	3	6	8	10	12
21,000	21,500	3	6	10	11	13
21,500	22,000	3	7	10	13	14
22,000	23,000	4	8	11	14	16
23,000	24,000	4	9	14	16	18
24,000	25,000	5	10	15	18	21
25,000	26,000	5	12	16	21	23
26,000	27,000	6	12	19	23	25
27,000	28,000	6	14	20	25	28
28,000	29,000	7	15	22	27	30

REV. PROC. 2013-21 TABLE 5						
DOLLAR AMOUNTS FOR PASSENGER AUTOMOBILES (THAT ARE NOT TRUCKS OR VANS) WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 2013						
Fair Market Value of Passenger Automobile		Tax Year During Lease				
Over	Not Over	1 st	2 nd	3 rd	4 th	5 th & later
29,000	30,000	7	16	24	29	33
30,000	31,000	8	17	26	31	35
31,000	32,000	8	19	27	33	38
32,000	33,000	9	20	29	35	40
33,000	34,000	10	21	31	37	43
34,000	35,000	10	22	33	39	45
35,000	36,000	11	23	35	41	48
36,000	37,000	11	25	36	43	50
37,000	38,000	12	26	38	45	53
38,000	39,000	12	27	40	47	55
39,000	40,000	13	28	42	49	58
40,000	41,000	13	29	44	52	59
41,000	42,000	14	30	45	54	63
42,000	43,000	14	32	47	56	64
43,000	44,000	15	33	48	59	67
44,000	45,000	15	34	51	60	69
45,000	46,000	16	35	52	63	72
46,000	47,000	17	36	54	65	74
47,000	48,000	17	38	55	67	77
48,000	49,000	18	39	57	69	79
49,000	50,000	18	40	59	71	82
50,000	51,000	19	41	61	73	84
51,000	52,000	19	42	63	75	87
52,000	53,000	20	43	65	77	89
53,000	54,000	20	45	66	79	92
54,000	55,000	21	46	68	81	94
55,000	56,000	21	47	70	84	96
56,000	57,000	22	48	72	85	99
57,000	58,000	22	50	73	88	101
58,000	59,000	23	51	75	90	103
59,000	60,000	24	52	76	92	106
60,000	62,000	24	54	79	95	110
62,000	64,000	25	56	83	99	115
64,000	66,000	27	58	87	103	120
66,000	68,000	28	60	90	108	125
68,000	70,000	29	63	93	112	130
70,000	72,000	30	65	97	117	134

REV. PROC. 2013-21 TABLE 5							
DOLLAR AMOUNTS FOR PASSENGER AUTOMOBILES (THAT ARE NOT TRUCKS OR VANS) WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 2013							
Fair Market Value of Passenger Automobile		Tax Year During Lease					
Over	Not Over	1 st	2 nd	3 rd	4 th	5 th & later	
72,000	74,000	31	68	100	121	139	
74,000	76,000	32	70	104	125	144	
76,000	78,000	33	73	107	129	149	
78,000	80,000	34	75	111	133	154	
80,000	85,000	36	79	117	141	162	
85,000	90,000	39	85	126	151	174	
90,000	95,000	41	91	135	162	186	
95,000	100,000	44	97	144	172	199	
100,000	110,000	48	106	157	188	217	
110,000	120,000	53	118	174	210	241	
120,000	130,000	59	129	193	230	266	
130,000	140,000	64	141	210	252	290	
140,000	150,000	70	153	227	273	315	
150,000	160,000	75	165	245	294	339	
160,000	170,000	80	177	263	315	363	
170,000	180,000	86	189	280	336	388	
180,000	190,000	91	201	298	357	412	
190,000	200,000	97	212	316	378	436	
200,000	210,000	102	224	333	400	461	
210,000	220,000	107	236	351	420	486	
220,000	230,000	113	248	368	442	509	
230,000	240,000	118	260	386	463	534	
240,000	And up	124	272	403	484	558	

REV. PROC. 2013-21 TABLE 6							
DOLLAR AMOUNTS FOR TRUCKS AND VANS WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 2013							
Fair Market Value of Truck or Van		Tax Year During Lease					
Over	Not Over	1 st	2 nd	3 rd	4 th	5 th & later	
19,000	19,500	1	3	4	5	6	
19,500	20,000	2	3	5	6	7	
20,000	20,500	2	4	6	7	8	
20,500	21,000	2	5	7	8	9	
21,000	21,500	2	5	8	9	11	

REV. PROC. 2013-21 TABLE 6						
DOLLAR AMOUNTS FOR TRUCKS AND VANS WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 2013						
Fair Market Value of Truck or Van		Tax Year During Lease				
Over	Not Over	1 st	2 nd	3 rd	4 th	5 th & later
21,500	22,000	3	6	8	10	12
22,000	23,000	3	7	10	11	14
23,000	24,000	4	8	11	14	16
24,000	25,000	4	9	14	16	18
25,000	26,000	5	10	15	18	21
26,000	27,000	5	12	17	20	23
27,000	28,000	6	13	18	23	25
28,000	29,000	6	14	20	25	28
29,000	30,000	7	15	22	27	30
30,000	31,000	7	16	24	29	33
31,000	32,000	8	17	26	31	35
32,000	33,000	8	19	27	33	38
33,000	34,000	9	20	29	35	41
34,000	35,000	10	21	31	37	43
35,000	36,000	10	22	33	39	46
36,000	37,000	11	23	35	41	48
37,000	38,000	11	25	36	43	51
38,000	39,000	12	26	38	45	53
39,000	40,000	12	27	40	48	55
40,000	41,000	13	28	42	49	58
41,000	42,000	13	29	44	52	60
42,000	43,000	14	30	46	54	62
43,000	44,000	14	32	47	56	65
44,000	45,000	15	33	48	59	67
45,000	46,000	15	34	51	60	70
46,000	47,000	16	35	52	63	72
47,000	48,000	17	36	54	65	74
48,000	49,000	17	38	55	67	77
49,000	50,000	18	39	57	69	79
50,000	51,000	18	40	59	71	82
51,000	52,000	19	41	61	73	84
52,000	53,000	19	42	63	75	87
53,000	54,000	20	43	65	77	89
54,000	55,000	20	45	66	80	91
55,000	56,000	21	46	68	81	94
56,000	57,000	21	47	70	84	96
57,000	58,000	22	48	72	86	98
58,000	59,000	22	50	73	88	101

REV. PROC. 2013-21 TABLE 6						
DOLLAR AMOUNTS FOR TRUCKS AND VANS WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 2013						
Fair Market Value of Truck or Van		Tax Year During Lease				
Over	Not Over	1 st	2 nd	3 rd	4 th	5 th & later
59,000	60,000	23	51	75	90	103
60,000	62,000	24	52	78	93	108
62,000	64,000	25	55	81	97	113
64,000	66,000	26	57	85	101	118
66,000	68,000	27	60	88	106	122
68,000	70,000	28	62	92	110	127
70,000	72,000	29	64	96	114	132
72,000	74,000	30	67	99	118	137
74,000	76,000	31	69	103	122	142
76,000	78,000	32	72	105	127	147
78,000	80,000	34	73	110	131	151
80,000	85,000	35	78	116	138	160
85,000	90,000	38	84	124	149	172
90,000	95,000	41	90	133	160	184
95,000	100,000	44	95	142	171	196
100,000	110,000	48	104	156	186	214
110,000	120,000	53	116	173	207	240
120,000	130,000	58	128	191	228	264
130,000	140,000	64	140	208	249	288
140,000	150,000	69	152	226	270	313
150,000	160,000	75	164	243	292	336
160,000	170,000	80	176	261	312	361
170,000	180,000	85	188	278	334	386
180,000	190,000	91	199	296	355	410
190,000	200,000	96	211	314	376	434
200,000	210,000	101	223	332	397	459
210,000	220,000	107	235	349	418	483
220,000	230,000	112	247	367	439	507
230,000	240,000	118	259	384	460	532
240,000	And up	123	271	401	482	556

SECTION 5. EFFECTIVE DATE

This revenue procedure applies to passenger automobiles that a taxpayer first places in service or first leases during calendar year 2013.

SECTION 6. DRAFTING INFORMATION

The principal author of this revenue procedure is Bernard P. Harvey of the Office of Associate Chief Counsel (Income Tax & Accounting). For further information regarding this revenue procedure, contact Mr. Harvey at (202) 622-4930 (not a toll-free call).